

# PLAN \$280,000,000 EQUIPMENT TRUSTS

Bankers' Committee Proposes Sale to Finance Allocations to Railroads.

## ROADS MUST APPROVE IT

Stock Issue of \$148,000,000 to Consist of Equipment and \$28,000,000 Reserve.

In order to finance the purchase and allocation to various railroad companies of cars and locomotives costing approximately \$400,000,000, the bankers committee proposes to sell to the public \$280,000,000 6 per cent fifteen year equipment trust certificates, the remaining \$120,000,000 worth of equipment and a reserve fund of \$28,000,000 to be constituted by a stock issue of \$148,000,000, which it is suggested should be subscribed for by the Railroad Administration.

Copies of the full plan were given out last night by Thomas De Witt Cuyler, chairman of the Association of Railway Executives, following a meeting of the car allocation committee and following the receipt of informal information that the Administration approved the plan and was ready to extend full cooperation. The plan must receive the favorable vote of the corporate organizations that have been approached, and the latter will not be taken up finally with the Administration until a sufficient number of favorable votes are received.

The members of the bankers' committee, which conceived the plan and which believes that the \$280,000,000 certificates can be sold readily, Jerome H. Hannon, president; Fredrick J. Allen, Arthur M. Anderson, Charles E. Mitchell, Harold Stanley, Everett H. Sweeny and Albert A. Thiney, the railroad car allocation committee consists of T. De Witt Cuyler, Alfred P. Thom, Howard Elliott, W. H. Finney, Charles Hayden, Samuel G. G. Baker, C. A. Peabody, Mark W. Potter, E. F. Ripley and S. M. Felton.

Regarding the underwriting and sale of the certificates the plan says:

### Method of Distribution.

It is recommended that the equipment trust certificates be offered for sale through bankers and other bond distributors of the United States generally. The sale should be underwritten by a nationwide syndicate, which would have to be paid a prorunner underwriting commission for the commercial work of underwriting, commissary, brokerage and commissions would be paid. As, in any event, it would take some little time to make the necessary arrangements for the incorporation of the equipment corporation and the creation of the equipment trust certificates, and as rates of interest at which the certificates are issued are constantly fluctuating, this committee does not deem it wise at this time to make any statement as to the rate of interest which the equipment trust certificates should bear or the price at which the same could probably be sold. That price will depend upon the conditions at the time of sale, as well as upon the amount to be sold at one time.

The equipment trust certificates are to be secured in effect by the equipment itself and subject to the agreements of conditional sale by the fact that the amount of certificates will bear proportionately the original cost of the equipment, ranging down from 100 per cent during the first year to 42 per cent at the end of fifteen years, being reduced 4.20 per cent annually. The certificates are to be well secured against the possibility of default thereon that in any one year 25 per cent of the railroad companies participating in the distribution without bringing the receipts plus one-fifteenth of the reserve fund, before the aggregate annual fixed charges. The following official digest of the plan for a national equipment corporation was given out last night:

The object of the proposed national equipment corporation is to take up and finance in a single operation all or a large part of the cars and locomotives purchased by the Government during the period of Federal control and allocated by it to various railroad companies.

The total cost of this equipment is estimated at approximately \$400,000,000. As the corporation's main purpose is to be financed, the bankers' committee proposes to sell \$280,000,000 6 per cent fifteen year equipment trust certificates to the public. The remaining \$120,000,000 worth of equipment and a reserve fund of \$28,000,000 would be constituted by a stock issue of \$148,000,000, which it is suggested should be subscribed for by the United States Railroad Administration.

### Dividend Proposal.

"This stock is to be entitled to receive cumulative dividends at the rate of 4% per annum, to be paid quarterly to the redemption of one-fifteenth of the principal amount (\$9,866,666) per annum, but not until after the maturing interest and annual instalments of principal have been made upon the equipment trust certificates sold to the public nor until any encroachments upon the reserve fund has been made good.

The receipt of receipts over expenses of the corporation are to be accumulated as an additional reserve fund and to be distributed as an extra dividend on the capital stock on the dissolution of the company.

The corporation would take title to the equipment in question and would execute agreements of conditional sale with the railroad companies accepting equipment which would obligate themselves to the equipment corporation to purchase the said equipment in fifteen annual instalments with interest at the rate of 6 per cent per annum.

The percentage of receipts over fixed charges would be 4.41 in the first year of the existence of the corporation, declining to 43.25 in the fourteenth and last year of the life of the corporation.

The certificates in the hands of the public would in the first year of the life of the corporation represent only 63 per cent of the purchase price of the equipment, and at the end of five years would represent only 42 per cent of the purchase price.

"Attached to the report is Statement A, showing in detail the position of the equipment corporation for every year from one to fifteen years assuming that the obligations of all the railroad companies will be paid punctually. This statement shows an excess of receipts over all charges of from \$1,800,000 in the first year to \$120,000 in the fifteenth year, and an aggregate excess for the lifetime of the corporation of \$14,400,000.

"Statement B attached to the report shows that even if 50 per cent of the total obligations of the railroad companies should be defaulted in every year the proposed corporation would be able to meet interest and amortization payments on all of the certificates sold to the public."

### King Albert Goes to Alps.

Brussels, July 1.—King Albert left Brussels yesterday for Chamonix, in the Alps, where he intends to remain for several days. The King will indulge in his favorite sport of mountain climbing.

### ALLIED PACKERS OFFERING.

#### Syndicate to Sell \$16,000,000 Bond

##### Issue of Company.

Imbrie & Co., heading a syndicate of bankers, are offering \$16,000,000 twenty bonds of the Allied Packers, Inc., at 8½% and accrued interest on any interest days not less than sixty days' notice. The bonds are a direct obligation of the corporation issuing them, and the company agrees to pay quick assets equal to at least 150 per cent of current liabilities and net quick assets equal to 100 per cent of the principal amount of the bonds outstanding. The company agrees that neither it nor any of its subsidiaries will mortgage any of its property, but property may be acquired subject to purchase money mortgage to any amount not to exceed 75 per cent. of the value of the property.

The bonds are convertible into common stock at the rate of thirteen shares of stock for every \$1,000 bond. This gives to bondholders for a period of twenty years a call on the common stock at slightly less than \$77 a share.

#### Executor

#### Trustee

##### Chartered 1822

**The Farmers' Loan and Trust Company**  
Nos. 16, 18, 20 & 22 William Street  
Branch Office, 475 Fifth Avenue  
At Forty-first Street  
New York

#### London

#### Paris

#### Foreign Exchange

#### Administrator

#### Guardian

Member Federal Reserve System and New York Clearing House

## MISCELLANEOUS MARKETS

### SHORT TERM NOTES.

Security Rate, Jan. 15, '21, Due, April 15, '22 Bid. Asked

AmBosch MacG. Co. 7 Sept. 5, '19 100 104

AmCotton Oil Co. 7 Sept. 19, '19 99 104

AmTask Corp. 7 Sept. 19, '19 102 104

AmThread Co. 6 Dec. 1921 101 102

AmTobacco Co. 7 Nov. 1920 100 104

AmTobacco Co. 7 Nov. 1921 102 105

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AmTobacco Co. 7 Nov. 199